

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **BULLARD SANFORD MEMORIAL LIBRARY**

Vassar, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2006

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **TABLE OF CONTENTS**

	PAGE
<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	3
Statement of Activities .....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet .....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances .....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
<b>Notes to Financial Statements .....</b>	<b>10</b>
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund .....	19
<b>Other Supplemental Information:</b>	
<i>General Fund:</i>	
Detailed Schedule of Revenues .....	21
Detailed Schedule of Expenditures .....	22

**BERTHIAUME  
& COMPANY**

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Bullard Sanford Memorial Library  
Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bullard Sanford Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullard Sanford Memorial Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

September 21, 2006

## ***BASIC FINANCIAL STATEMENTS***

# BULLARD SANFORD MEMORIAL LIBRARY

---

## STATEMENT OF NET ASSETS

June 30, 2006

### Assets:

Cash and cash equivalents	\$ 253,229
Receivables	18,337
Prepaid expenses	1,259
Capital assets:	
Nondepreciable capital assets	5,000
Depreciable capital assets, net	<u>295,677</u>
Total assets	<u>573,502</u>

### Liabilities:

Accounts payable	65,310
Long-term liabilities:	
Due within one year	4,794
Due in more than one year	<u>34,192</u>
Total liabilities	<u>104,296</u>

### Net assets:

Invested in capital assets, net of related debt	265,293
Restricted for:	
Capital improvements	172,003
Unrestricted	<u>31,910</u>
Total net assets	<u>\$ 469,206</u>

*The accompanying notes are an integral part of these financial statements.*

# BULLARD SANFORD MEMORIAL LIBRARY

---

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

### Program expenses:

Personal services	\$ 173,188
Materials and services	99,945
Depreciation	42,146
Interest on long-term debt	<u>5,490</u>
Total program expenses	<u>320,769</u>

### Program revenues:

Charges for services	4,950
Operating grants and contributions	70,946
Capital grants and contributions	<u>197,535</u>
Total program revenues	<u>273,431</u>
Net program expenses (revenues)	<u>47,338</u>

### General revenues:

Property taxes	239,596
Payment in lieu of taxes	109
Investment earnings	11,363
Miscellaneous	4,881
Gain (loss) on sale of capital asset	<u>(48,982)</u>
Total general revenues	<u>206,967</u>
Increase in net assets	159,629
Net assets, beginning of year	<u>309,577</u>
Net assets, end of year	<u>\$ 469,206</u>

*The accompanying notes are an integral part of these financial statements.*

# BULLARD SANFORD MEMORIAL LIBRARY

---

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2006

	<i>General Fund</i>	<i>Building Project Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 21,945	\$ 231,284	\$ 253,229
Taxes receivable	3,517	-	3,517
Accrued interest receivable	-	1,508	1,508
Due from other governmental units	13,312	-	13,312
Prepaid expenditures	<u>1,259</u>	<u>-</u>	<u>1,259</u>
Total assets	<u>\$ 40,033</u>	<u>\$ 232,792</u>	<u>\$ 272,825</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,521	\$ 60,789	\$ 65,310
Deferred revenue	<u>3,517</u>	<u>-</u>	<u>3,517</u>
Total liabilities	<u>8,038</u>	<u>60,789</u>	<u>68,827</u>
<b>Fund balances:</b>			
Reserved for:			
Prepaid expenditures	1,259	-	1,259
Unreserved			
General fund	30,736	-	30,736
Capital projects fund	<u>-</u>	<u>172,003</u>	<u>172,003</u>
Total fund balances	<u>31,995</u>	<u>172,003</u>	<u>203,998</u>
Total liabilities and fund balances	<u>\$ 40,033</u>	<u>\$ 232,792</u>	<u>\$ 272,825</u>

*The accompanying notes are an integral part of these financial statements.*



# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

June 30, 2006

**Total fund balances for governmental funds** \$ 203,998

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	669,253	
Less accumulated depreciation	<u>(368,576)</u>	300,677

Deferred revenues reported in the governmental funds are recognized as  
revenues for the governmental activities. 3,517

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Note payable	(35,384)	
Compensated absences payable	<u>(3,602)</u>	<u>(38,986)</u>

**Net assets of governmental activities** \$ 469,206

*The accompanying notes are an integral part of these financial statements.*

# BULLARD SANFORD MEMORIAL LIBRARY

---

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<i>General Fund</i>	<i>Building Project Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 238,420	\$ -	\$ 238,420
State grants	11,718	17,300	29,018
Contributions from other units	58,568	-	58,568
Interest and rents	5,833	10,480	16,313
Other revenue	23,422	182,904	206,326
Total revenues	337,961	210,684	548,645
<b>Expenditures:</b>			
Current			
Recreation and culture	270,086	-	270,086
Capital outlay	29,886	176,888	206,774
Debt service			
Principal	23,944	-	23,944
Interest and fees	5,490	-	5,490
Total expenditures	329,406	176,888	506,294
Excess (deficiency) of revenues over expenditures	8,555	33,796	42,351
<b>Other financing sources:</b>			
Proceeds from short-term tax anticipation note	75,000	-	75,000
Repayment of short-term tax anticipation note	(75,000)	-	(75,000)
Transfer from other fund	-	138,207	138,207
Transfer to other fund	(138,207)	-	(138,207)
Total other financing sources	(138,207)	138,207	-
Net change in fund balances	(129,652)	172,003	42,351
Fund balances, beginning of year	161,647	-	161,647
Fund balances, end of year	\$ 31,995	\$ 172,003	\$ 203,998

*The accompanying notes are an integral part of these financial statements.*

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2006

**Net change in fund balances - total governmental funds** \$ 42,351

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	205,874	
Less depreciation expense	(42,146)	
Less loss on sale of capital asset	<u>(69,532)</u>	94,196

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. 1,285

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

Proceeds received from tax anticipation note (75,000)

Repayments of principal on notes are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets.

Principal repayment on tax anticipation note	75,000	
Principal repayment on note payable	<u>23,944</u>	98,944

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable (2,147)

**Change in net assets of governmental activities** \$ 159,629

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

---

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

On May 6, 1996, pursuant to 1989 P.A. 24 of the State of Michigan, and effective July 1, 1996, for financial reporting purposes, the City of Vassar and Tuscola and Vassar Townships agreed jointly to establish a District Library - the Bullard Sanford Memorial Library. Subsequently, in 1998 a portion of Juniata Township which is not in the Caro School District joined with the District Library. The primary funding sources of the District Library are property taxes, penal fines and state aid. The City of Vassar, Tuscola Township, and Vassar Township each appoint two library trustees, and Juniata Township appoints one, for a total of seven library trustees.

The accounting policies of the Bullard Sanford Memorial Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its financial statements. The Library is not considered to be a component of any other unit.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

June 30, 2006

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

### *Fund Financial Statements*

Separate financial statements are provided for the major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Library reports the following major governmental funds:

*General Fund* – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

*Building Project Fund* – The Building Project Fund is used to account for the revenues and costs of the building addition. The separate Building Project Fund was established effective July 1, 2005.

# BULLARD SANFORD MEMORIAL LIBRARY

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

The balance of \$138,207 representing reserved capital improvement funds as of June 30, 2005 was transferred from the General Fund to the new Building Project Fund July 1, 2005.

### Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	10-15 years
Vehicle	5 years
Collections	3-7 years

Compensated Absences – It is the Library's policy to permit the Director to accumulate earned but unused sick hours up to 360. Upon retirement or leaving the employment of the Library, the Director would be paid for one half of the accumulated hours. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# BULLARD SANFORD MEMORIAL LIBRARY

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Property Taxes

The library tax of 1 mill (.9884 mill) and an additional .25 mills are levied by the City of Vassar and the Townships of Tuscola, Vassar, and Juanita based on the assessed valuation of property, as equalized by the State, as of the preceding December 31. Property taxes are recognized as revenue in the year levied, except for insignificant amounts of delinquent personal property taxes which are recognized as revenue when collected. A portion of the Juniata Township taxes are allocated to the Fairgrove Library.

The 2005 taxable valuation for each of the units is as follows:

	<i>Taxable Valuations</i>
City of Vassar	\$ 50,919,996
Juniata Township	22,696,768
Tuscola Township	56,110,533
Vassar Township	73,606,723

---

## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

### Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

### Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
Current	\$ 263,860	\$ 270,086	\$ 6,226
Debt service	10,450	29,434	18,984



# BULLARD SANFORD MEMORIAL LIBRARY

---

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

The Library's cash balance of \$253,229 (checking, savings and certificate of deposit) was being held in the pooled accounts of the City of Vassar. A portion of the City's accounts are insured by FDIC. The City is in compliance with Act 217 PA 1982, which authorizes units of local government to deposit in accounts of federally insured banks, credit unions, and savings and loan associations.

#### Investments

State statutes authorize the Library to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Library.

At year end, the Library had no investments.

---

### NOTE 4: CAPITAL ASSETS

---

Capital assets activity of the Library's governmental activities was as follows:

	<i>July 1, 2005</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2006</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ -	\$ 5,000	\$ -	\$ 5,000
Depreciable capital assets				
Buildings and improvements	88,963	171,888	73,970	186,881
Collections	306,018	28,986	-	335,004
Furniture and equipment	107,368	-	-	107,368
Vehicles	35,000	-	-	35,000
Total depreciable capital assets	537,349	200,874	73,970	664,253
Accumulated depreciation	(330,868)	(42,146)	4,438	(368,576)
Depreciable capital assets, net	206,481	158,728	78,408	295,677
Governmental activities, capital assets, net	<u>\$ 206,481</u>	<u>\$ 163,728</u>	<u>\$ 78,408</u>	<u>\$ 300,677</u>

# BULLARD SANFORD MEMORIAL LIBRARY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2006

### NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Personal property taxes	\$ 3,517	\$ -

The unavailable and unearned is the total in the fund financial statements and the unearned is the total in the government-wide financial statements.

### NOTE 6: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

Long-term liabilities at June 30, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>Note Payable:</u></b>					
Rental house	7/15/05-10/15/07	5.51%	\$3,210-52,345	\$ 67,500	\$ 35,384

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Note Payable:					
Rental house	\$ 59,328	\$ -	\$ (23,944)	\$ 35,384	\$ 4,794
Compensated Absences	1,455	2,147	-	3,602	-
Total governmental activities					
- long-term liabilities	<u>\$ 60,783</u>	<u>\$ 2,147</u>	<u>\$ (23,944)</u>	<u>\$ 38,986</u>	<u>\$ 4,794</u>

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

June 30, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Requirement</i>
2007	5.51%	\$ 4,794	\$ 1,829	\$ 6,623
2008	5.51%	<u>30,590</u>	<u>550</u>	<u>31,140</u>
		<u>\$ 35,384</u>	<u>\$ 2,379</u>	<u>\$ 37,763</u>

The following summarizes the Library's short-term obligation for the tax anticipation note:

	<i>July 1, 2005</i>	<i>Additions</i>	<i>Payments</i>	<i>June 30, 2006</i>
Tax anticipation note	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>

---

## **NOTE 7: DISAGGREGATED RECEIVABLE BALANCE**

---

Receivables as of year end for the Library's governmental activities in the aggregate are as follows:

<b>Receivables:</b>	
Property taxes	\$ 3,517
Accrued interest	1,508
Intergovernmental	<u>13,312</u>
Total receivables	<u>\$ 18,337</u>

---

## **NOTE 8: RISK MANAGEMENT**

---

The Library obtains its employee insurance coverage through the policies of the City of Vassar. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Vassar, is insured under the City of Vassar insurance policy. The Library reimburses the City for the cost of insurance.

The Library has obtained, from commercial insurance companies, insurance coverage for contents and other liabilities.

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

June 30, 2006

---

### **NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

---

Eligible Library employees are covered under the City of Vassar's retirement plan. The City contributes to the Michigan Municipal Retirement System (MERS) for all of its eligible employees and eligible Library employees. The Library reimburses the City for this expense.

Eligible Library employees are also allowed to participate in the City's Section 457 Deferred Compensation Plan. The Library makes a contribution to the Deferred Compensation Plan for certain employees in lieu of a pension contribution. To be eligible for this deferred compensation contribution the employee must generally work between 30 and 34 hours per week.

For the year ended June 30, 2006, the Library contributed \$10,356 to the MERS Pension Plan.

---

### **NOTE 10: FUND EQUITY**

---

Specific reservations on fund equity include:

*Reserved for prepaid expenditures* – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

---

### **NOTE 11: AGREEMENTS**

---

The Library has a lease for the library building with the City of Vassar. The lease requires a payment of \$1 per year to the City. The lease is for seven (7) years through May 6, 2009. The City then has the option of renewing the lease or deeding the property over to the Library.

The Library also has a fiscal agent agreement with the City of Vassar. Under this agreement, the City provides certain bookkeeping and administrative services. During the year ended June 30, 2006, the City was paid \$4,860 pursuant to this agreement.

The library has an agreement with the Fairgrove Library which requires that a certain portion of the Juniata Township property tax revenues be shared with the Fairgrove Library. The agreement also requires the sharing of certain other revenues such as state aid and penal fines.

---

### **NOTE 12: SUBSEQUENT EVENTS**

---

Subsequent to June 30, 2006, the Library bonded for \$434,425 from Citizens Bank for the purposed of paying a portion of the cost of acquiring and constructing improvements to the Library facilities and to refund certain outstanding indebtedness of the Library.

***REQUIRED SUPPLEMENTAL INFORMATION***

# BULLARD SANFORD MEMORIAL LIBRARY

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 239,791	\$ 239,791	\$ 238,420	\$ (1,371)
State grants	9,510	9,510	11,718	2,208
Contributions from other units	43,532	43,532	58,568	15,036
Charges for services	3,769	3,769	-	(3,769)
Interest and rents	6,800	6,800	5,833	(967)
Other revenue	1,100	1,100	23,422	22,322
Total revenues	304,502	304,502	337,961	33,459
<b>Expenditures:</b>				
Current				
Recreation and culture	263,860	263,860	270,086	6,226
Capital outlay	30,000	30,000	29,886	(114)
Debt service				
Principal	5,000	5,000	23,944	18,944
Interest and fees	5,450	5,450	5,490	40
Total expenditures	304,310	304,310	329,406	25,096
Excess (deficiency) of revenues over expenditures	192	192	8,555	8,363
<b>Other financing sources (uses):</b>				
Proceeds from short-term tax anticipation note	75,000	75,000	75,000	-
Repayment of short-term tax anticipation note	(75,000)	(75,000)	(75,000)	-
Transfer to other fund	-	-	(138,207)	(138,207)
Total other financing sources (uses)	-	-	(138,207)	(138,207)
Net change in fund balance	192	192	(129,652)	(129,844)
Fund balance, beginning of year	161,647	161,647	161,647	-
Fund balance, end of year	\$ 161,839	\$ 161,839	\$ 31,995	\$ (129,844)

***OTHER SUPPLEMENTAL INFORMATION***

# BULLARD SANFORD MEMORIAL LIBRARY

---

## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2006

**Revenues:**

***Property taxes:***

City of Vassar	\$ 58,713
Juniata Township	19,505
Tuscola Township	69,758
Vassar Township	90,335
Payment in lieu of taxes	109
	<u>238,420</u>

***State Grants:***

State aid	<u>11,718</u>
-----------	---------------

***Contribution from other units:***

County penal fines	<u>58,568</u>
--------------------	---------------

***Interest and rents:***

Interest	883
Rents	4,950
	<u>5,833</u>

***Other Revenue:***

Sale of capital assets	20,550
Contributions and donations	660
Other	2,212
	<u>23,422</u>

Total revenues	<u>337,961</u>
----------------	----------------

**Other Financing Sources:**

Proceeds from tax anticipation note	<u>75,000</u>
-------------------------------------	---------------

Total other financing sources	<u>75,000</u>
-------------------------------	---------------

Total revenues and other financing sources	<u>\$ 412,961</u>
--	-------------------



# BULLARD SANFORD MEMORIAL LIBRARY

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2006

**Expenditures:**

***Recreation and Culture:***

*Library:*

Personnel	\$ 135,493
Fringe benefits	35,548
Supplies	39,505
Contracted services	17,510
Administrative charges - City of Vassar	4,860
Communication	3,869
Dues and subscriptions	885
Conference and travel	1,624
Printing and publishing	1,241
Insurance	5,901
Utilities	8,123
Repairs and maintenance	11,138
Equipment rental	1,413
Other	2,976
	<u>270,086</u>
Total recreation and culture	<u>270,086</u>

***Capital Outlay:***

Recreation and culture	<u>29,886</u>
Total capital outlay	<u>29,886</u>

***Debt Service:***

Principal	23,944
Interest and fees	5,490
	<u>29,434</u>
Total debt service	<u>29,434</u>
Total expenditures	<u>329,406</u>

**Other Financing Uses:**

Repayment of short-term tax anticipation note	75,000
Transfer to other fund	<u>138,207</u>
Total other financing uses	<u>213,207</u>
Total expenditures and other financing uses	<u>\$ 542,613</u>

# **BULLARD SANFORD MEMORIAL LIBRARY**

---

## *GOVERNMENTAL ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

Year Ended June 30, 2006

#### **NOTE PAYABLE - RENTAL HOUSE**

Issue dated October 15, 2002 in the amount of       \$       67,500

Less:                   Principal paid in prior years                   (8,172)  
                          Principal paid in current year               (23,944)

Balance payable at June 30, 2006                       \$       35,384

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2007	5.51%	\$       4,794	\$       1,829	\$       6,623
2008	5.51%	<u>30,590</u>	<u>550</u>	<u>31,140</u>
		<u>\$       35,384</u>	<u>\$       2,379</u>	<u>\$       37,763</u>

Note: The General Fund is obligated for this loan.



September 21, 2006

To The Board of Directors  
Bullard Sanford Memorial Library  
Vassar, Michigan

We have audited the financial statements of the Bullard Sanford Memorial Library for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Bullard Sanford Memorial Library in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Bullard Sanford Memorial Library are described in Note 1 to the financial statements. We noted no transactions entered into by the Bullard Sanford Memorial Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Library's financial statements and this communication of these matters does not affect our report on the financial statements, dated September 21, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants